

*Dollars and Sense:*  
*How Kinross Charter Township Spends Your Money*

**2012 Citizen's Guide to Kinross Charter Township's Financial Health**

**Prepared by:**

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To the Citizens of Kinross Charter Township:

It is with pleasure that we present to you the annual Citizens Guide to Kinross Charter Township's Financial Health. The intent of this report is to provide you with our financial and operating information in a clear and user friendly manner. We hope this report is useful for you to better understand the township's financial condition. The information provided in this report is derived primarily from the Annual Financial Report. The financial information provided was independently audited by Lake Michigan CPA Services, and was prepared in accordance with generally accepted accounting principles. The township received an unqualified ("clean") opinion from our auditors, which is the highest form of financial assurance that an organization can receive from their audit firm. The township has sound financial reserves and practices prudent fiscal management. We welcome any feedback and suggestions regarding the information provided in this report.

Respectfully,

Marvin Besteman, Clerk

## **HOW GOVERNMENTS USE YOUR MONEY**

### Where Citizen Dollars Go:

Special assessment is used to provide police services. User fees pay for the operation of the water, sewer, and garbage services, golf course, RV parks, and for a portion of the recreation center and fairgrounds. Payments from insurance companies and patients finance a majority of the Ambulance Department. Rental income that we collect on leased buildings finances Property Management. Township-wide tax collections and sales tax revenue sharing from the State of Michigan pay for the cemetery, township hall, other day-to-day operations, road repairs, and for portions of the fire department, ambulance department, recreation center, and fairgrounds.

### Services That Governments Provide:

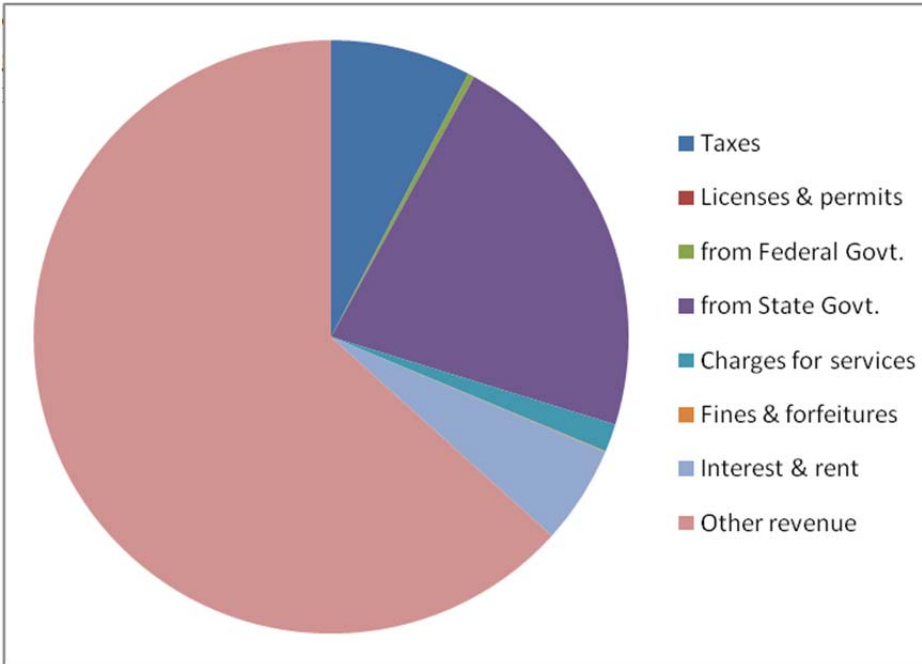
Kinross Charter Township, founded in 1899, is dedicated to offering services at low or no cost to the citizens. The township provides full time EMS service 24 hours a day 7 days per week. In addition our EMS Department provides life saving intercept service to surrounding areas. Our fire department, with an extraordinary group of volunteers, and our police department are dedicated to preserving the safety of residents and visitors. Recreational opportunities include wildlife watching, hunting, fishing, golfing, swimming, groomed snowmobile trails, ORV trails, organized activities at the Recreation Center, and rustic and modern camping at our RV parks. The township provides elections, notary services, ordinance enforcement, spring cleanup, street sweeping, street lighting, and a quarterly newsletter at no cost to our citizens. Kinross Charter Township owns and maintains the fair grounds also known as home to the Chippewa County Fair.

## **GOVERNMENT BUDGETS**

### **CITIZENS' GUIDE TO LOCAL UNIT FINANCES - Kinross Charter Township - Revenues**

Our revenues, after dropping 8% from 2009 to 2010, rose in 2011 coming in with an increase of over 3%. Our General Fund revenues decreased by less than 1% from the previous year. The largest dollar losses in 2010 were in state revenue sharing, our volume of ambulance runs, interest on investments, and property taxes. In 2011 state revenues still decreased, but by a smaller amount. Ambulance run revenue and property taxes saw a small increase, and investment earnings increased by almost 50%. The Legislature of the State of Michigan has eliminated the statutory portion of revenue sharing but they initiated a program that pays additional funds if the Township meets certain criteria. Kinross Charter Township satisfied all the requirements for fiscal year 2011-12 and received the maximum amount of supplemental revenue sharing. Our annual revenue sharing has dropped by almost \$200,000, or 32%, since 2001. Additional information on our revenues, broken down by category, is shown on the next page.

1. Where our money comes from (all governmental funds)



2. Revenue Comparison to the prior year

	<u>2010</u>	<u>2011</u>	<u>% change</u>
Taxes	\$ 180,650	\$ 184,017	2%
Licenses & permits	5	20	300%
from Federal Govt.	8,257	-	-
from State Govt.	515,493	496,764	-4%
Charges for services	35,888	34,405	-4%
Fines & forfeitures	1,037	1,259	21%
Interest & rent	126,689	141,324	12%
Other revenue	<u>1,497,825</u>	<u>1,592,375</u>	6%
Total	<u>\$ 2,365,844</u>	<u>\$ 2,450,164</u>	4%

**CITIZENS' GUIDE TO LOCAL UNIT FINANCES – Kinross Charter Township –**  
**Expenditures**

Total expenditures dropped by 4% from 2010 to 2011, and combined with the increase in revenues, resulted in a surplus for 2011. The largest dollar value changes in expenditures were a decrease in Capital Outlay spending, and a decrease of over \$70,000 in General Government expenditures. The increase in Debt Service was for payments by the Ambulance Department on a lease/purchase arrangement for five defibrillators. A breakdown of expenditures is below.

1. Expenditures compared to the prior year

	<u>2010</u>	<u>2011</u>	<u>% change</u>
General government	\$ 490,491	\$ 418,193	-15%
Police & fire	303,716	311,639	3%
Roads	53,650	51,803	-3%
Other public works	3,424	3,626	6%
Health & welfare	1,236,371	1,277,331	3%
Community & economic development	19,678	13,600	-31%
Recreation & culture	13,740	11,482	-16%
Capital outlay	218,861	121,585	-44%
Debt service	10,644	28,347	166%
Unallocated fringes & insurance	55,316	66,889	21%
Interfund transfers (net)	100,010	113,631	14%
Total expenditures	<u>\$2,505,901</u>	<u>\$2,418,126</u>	-4%

## **Kinross Charter Township Employees**

For the second year in a row, the number of employees working for the Township has dropped, averaging 75 per pay period. Of those 75 employees, 31 are full time, 27 are part time, with the rest being seasonal, elected officials, election workers, volunteer firemen, and appointed workers. The total annual wages paid has increased 12.0% over the last decade while inflation is 25.0% over that same time period. This reflects on the efforts that the Township has undertaken to contain costs and operate as efficiently as possible.

In 2011 the State Legislature passed measures to encourage municipalities in Michigan to reduce their costs for employee fringe benefits. One of the measures called for public employers to create either a hard cap for health insurance costs, or limit the employer share to 80% of the total health care cost. Kinross Charter Township chose the hard cap option, and our annual health insurance costs will be over \$17,000 less than the year before. Another portion of the legislation recommends that new hires who are eligible for retirement plans are placed in a plan that caps annual employer contributions at 10% of base salary. The Township's plan already complies with this limitation as employer contributions are currently 5%.

## **Reserves and Fund Balances**

Our Unreserved fund balance in our governmental funds (fund balance that is not earmarked or committed for a future specific purpose) increased each year from 2007 to 2009, and then decreased in 2010. In 2010 there was \$23,575 reserved for prepaid expenses, while \$164,507 of the unreserved fund balance was designated for future building improvements. The unreserved fund balance is 21% higher than it was in 2006. It is recommended that general-purpose governments maintain a minimum of about 17%, or two months, of their operating expenditures in their fund balance. In 2010 Kinross Charter Township had unreserved fund balance in its governmental funds equal to 52% of total expenditures. Please see the table and graph below and on the next page for more information.

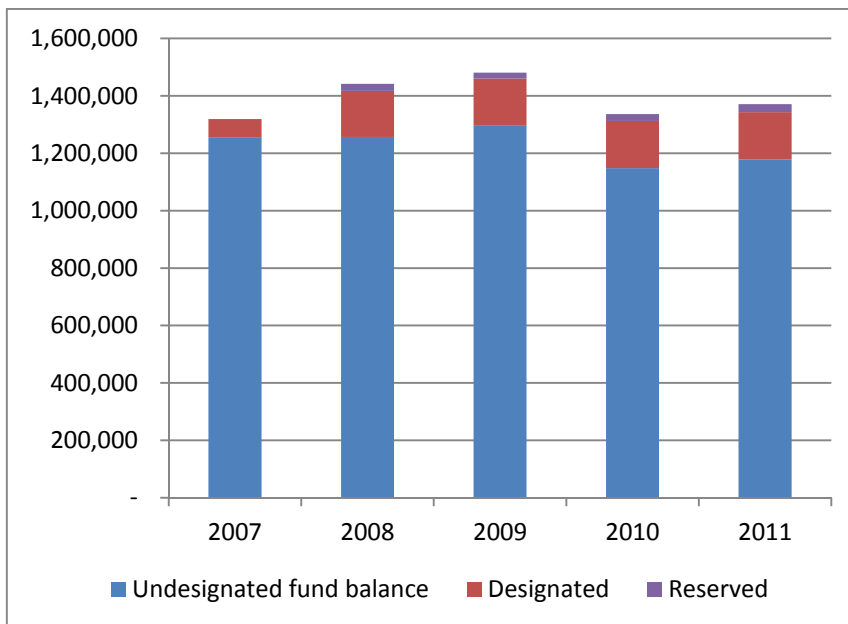
### 1. Revenue and Expenditure comparison to the prior year

	<u>2010</u>	<u>2011</u>	<u>% change</u>
Revenue	2,365,844	2,450,164	4%
Expenditures	<u>2,505,901</u>	<u>2,418,126</u>	-4%
Surplus (shortfall)	(140,057)	32,038	123%

## 2. Fund balance, by component

Reserved	23,575	27,919	18%
Designated	164,507	164,507	0%
Undesignated	<u>1,148,091</u>	<u>1,178,384</u>	3%
Total fund balance	1,336,173	1,370,810	3%

## 3. Historical trends of individual components of fund balance



## Debt Levels

The Township's current long-term debt level is well below the legal maximum and leaves us well-positioned to address any future needs. As of March 31, 2011, the long-term liabilities of the Township were as follows:

### **Governmental activities:**

Leases Payable	86,803
Compensated absences – Governmental activity	42,744
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Governmental activity long-term liabilities	129,547

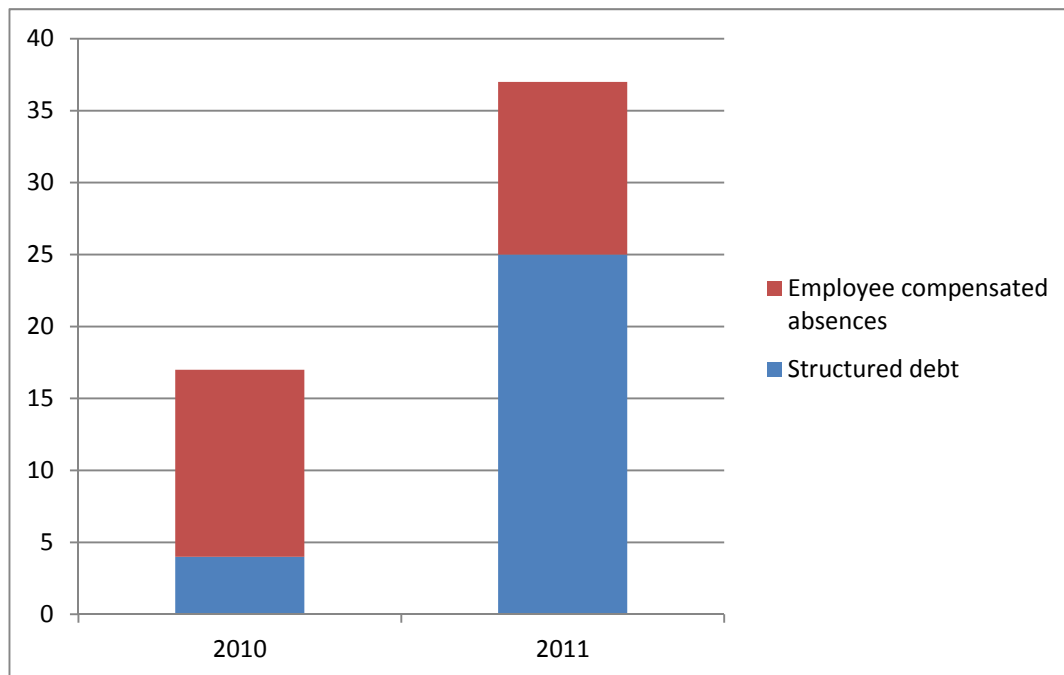
**Business-type activities:**

Bonds payable	115,000
Leases payable	3,600
Compensated absences – Business-type activity	61,706
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Business-type activity long-term liabilities	180,306

Total Governmental and Business-type long-term liabilities 309,853

Compensated absences for Governmental activities and Business-type activities are not funded but are paid as incurred when an employee retires or terminates employment. A per capita debt level is shown in the chart below for Governmental activity liabilities.

Debt & other long term obligations per capita - compared to the prior year

**Pension Benefits**

The Township provides pension benefits for all of its elected officials and full time employees through a defined contribution plan. The Township's pension investments are held in trust by the investment fiduciary, John Hancock Life Insurance Company. The plan is funded at a rate of 5% of eligible compensation for full time employees and by a schedule for elected officials. It's available to employees after a period of 4 years, at which time they become vested. Employees



may voluntarily contribute from 1-95% of their compensation into the plan. Since the plan is a defined contribution plan and not a defined benefit plan, the Township has no obligation beyond its annual contribution, calculated as described above. A certain level of benefit is not guaranteed by the plan but depends solely on amounts contributed to the plan plus investment earnings and forfeitures of other participants' benefits prior to vesting.

The Township does not currently offer retiree health care benefits.

### **Public budget gap and Budget deficit/surplus**

Although the Township experienced a shortfall for 2010 of \$140,057 in its governmental funds, there was adequate surplus from prior years to offset it. 2011 saw a return to a surplus with an increase in revenues and a reduction of expenditures. The net budget surplus for 2006-2011 comes to \$377,219, which contributed to the Township's unreserved fund balance in its governmental funds of 41% of expenditures. The current unreserved fund balance leaves the Township well-positioned to cope with unforeseen events. After three years of a downward trend in budget surpluses it is hoped that the turnaround in 2011 will continue.

### **Data Sources**

The primary source for the information in this report was derived from Kinross Charter Township's Form F-65 Annual Local Unit Fiscal Report, which is a report that all local municipalities are required to file with the State of Michigan. It is based on the audited financial statements of the Township. The audit report itself was also used as a source. Both of these source documents are available for public inspection at the Kinross Township Hall during normal business hours.